

Governor Bill Walker  
“Taking Control of the Gasline”  
Thurs., Feb. 19, 2015

I am very excited about Alaska’s prospects for finally getting our natural gas to Alaskans and the world market. We currently have two natural gas pipeline projects in the works – the Alaska Stand Alone Pipeline (ASAP) and the large-volume Alaska LNG project (AK LNG). Only one of these projects will ultimately be built. The ASAP project is 100 percent owned by Alaska and was designed as a small-volume gasline to deliver North Slope gas to Fairbanks, Southcentral and other communities where practicable. AK LNG is a liquefied natural gas (LNG) project that would pipe gas from the North Slope to tidewater at Nikiski for export to Asian markets, and include offtake points where gas can be taken for in-state use. AK LNG is owned by the three largest North Slope producers (ExxonMobil, BP and ConocoPhillips). The state has a 25 percent ownership interest in the project through TransCanada and the Alaska Gasline Development Corporation.

I’m pleased with the progress made to date on AK LNG and it is my intent that we, as a state, assist in furthering the project. However, I am concerned about what happens if the project fails to advance to the next stage of detailed engineering design, or to project sanction. The engineering decision point will occur in 2016, when the preliminary engineering and design work will be complete and the commercial structure of the project is better defined. Project sanction is anticipated in 2019. At each decision point, the three producers, TransCanada, and the state will individually decide whether the project proceeds to the next phase.

It is unknown whether the producers and TransCanada will approve moving to the next phase in the face of their other competing projects worldwide. Therefore, we will increase the viability of the ASAP project. I’ve long contended that the smaller volume in-state project as originally proposed does not make economic sense. Its small volume would generate little to no revenue for the state, would most likely require a substantial annual state subsidy, and likely increase the cost of energy for Alaskan consumers. The original small-volume limitation on the ASAP project was necessary because of conditions under the Alaska Gasline Inducement Act (AGIA). With the

termination of AGIA last year, the ASAP project can now be upsized. A larger volume will make it economic to meet market needs beyond Alaska's borders and provide affordable energy to Alaskans.

In contrast to the producer-driven AK LNG project, my intention is that ASAP be market-driven, with Alaska in control. Using existing funding, the project will explore market opportunities and financing arrangements with potential buyers of Alaska's gas and will be designed for both in-state and export markets. Working with the buyers, the project will develop a financing plan anchored with long-term contracts for purchase of Alaska gas.

What it comes down to is this: we will work with the producers to continue to develop the AK LNG project. With ASAP, we will work with gas buyers to secure the opportunities the market offers. Whichever project is first to produce a solid plan, and conditions acceptable to the state, will get the state's full support. Or, perhaps the two projects could be combined at some point along the way.

Given our financial situation, we can no longer afford to stand by and wait while Alaska's future is decided in the boardrooms of international corporations that have competing global interests. It is time to develop the option for a large-volume natural gas project with Alaskans in control, with the decision-making based on what is best for Alaska. We are an Owner state and we must act like the owners we are.

I look forward to seeing the best project for Alaska emerge from this process and stand ready to help move it through to completion. This will assure Alaska that we finally build the large volume gasline that benefits all Alaskans. With diligence and hard work, Alaskans will get our natural gas to market and into our homes and businesses.

*Bill Walker is governor of Alaska. He has decades of experience in oil and gas law.*